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C O N F I D E N T I A L SECTION 01 OF 02 BRATISLAVA 000190

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DEPT FOR EUR/NCE, EB/ESC/IEC, EUR/PGI

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TAGS: [ECON](#) [ENRG](#) [EAGR](#) [LO](#)

SUBJECT: SLOVAK ENERGY SECURITY MEANS NUCLEAR, NOT GAS

Classified By: Ambassador Rodolphe M. Vallee for Reasons 1.4 (B) and (D).

11. (SBU) Summary. A March 2 lunch hosted by the Ambassador provided new insights on energy security in Slovakia. Like many of its neighbors, Slovakia is almost completely reliant upon Russia for its gas, oil, and nuclear fuel. However, the GOS believes that it was not significantly affected by the recent Russian-Ukraine gas conflict due to its significant short-term gas storage reserves and greater reliance on nuclear energy, and has therefore been much less engaged in recent regional efforts to improve energy security. Attendees agreed that, in the long-term, Slovakia must also diversify its sourcing of raw materials and that more nuclear power was the best solution. End Summary.

LITTLE CONCERN ABOUT GAS/OIL SUPPLIES  
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12. (C) Slovakia believes that it is better prepared to tolerate gaps in natural gas supplies than many of its neighbors. Though the country is almost completely reliant upon Russia for gas, it also has the capacity to store a significant emergency reserves. Annually, Slovakia's 1.3 residential and 50,000 business and industrial users consume between six and seven billion cubic meters of gas. Storage facilities, which are primarily depleted natural gas reservoirs near the border with the Czech Republic owned by three private companies, hold approximately 2.5 billion cubic meters. Thus, even at peak winter-time levels, the country has at least two months of reserve gas. In addition, the Russian/Ukraine pipeline to the west runs directly through Slovakia and contracts guarantee the exact amounts that it can pull from the system before the supply reaches western Europe.

13. (C) As a result, the GOS has not taken a very active role either domestically or as a part of EU and other regional efforts focused on improving energy security. During an earlier meeting with Econoffs, the Director General for Energy at the Ministry of Economy Michal Duranko characterized the Russian / Ukraine dispute in early January as a private bilateral negotiation that is of little concern to Slovakia. Separately, MFA's Director for CIS countries Stefan Rozkopal noted that he had heard that some people were concerned about the conflict, but that he had not really looked into the issue. The consensus among the lunch experts was in line with these comments; Slovakia does not see the dispute as a significant threat to their energy security. Milan Sedlacek from the gas transport company SPP, which is co-owned by the GOS (51 percent) and Gaz de France and Ruhrgas (24.5 percent each), noted that there are currently no economically-feasible options to diversify supply. Other lunch guests commented that even if new pipelines or liquified natural gas (LNG) terminals are constructed, oil and gas will still come from either Russia or the Middle

East/North Africa, neither of which has proven sufficiently stable. At best, the GOS and neighboring countries could focus on demand-side conservation efforts.

14. (SBU) Despite its relative indifference to regional energy security efforts, the GOS continues to play a role in its own marketplace. The government has actively pursued privatizations of state assets involved in electricity generation and transmission, as well as regional heating companies. On the regulatory side, the GOS has strictly controlled electricity prices and recently fined Slovnaft, Slovakia's oil and gasoline distribution company, USD 39 million for abusing its dominant market position. At the lunch however, Bela Keleman, Vice President for Refinery Marketing of Slovnaft expressed little concern and indicated that such moves are merely populist gestures that have little overall effect.

15. (C) Crude oil is currently obtained solely from the east via the pipeline owned by Transpetrol, which Slovakia privatized (49 percent plus management control in 2002) to the Russian company Yukos. Yukos has, with the approval of the GOS, since sold its stake in Transpetrol, to another Russian company, Russneft. Keleman noted MOL's interest in re-examining the possibility of connecting Austria's Schwechat refinery to its Slovnaft refinery in Bratislava with a two-way crude pipeline, providing the only connection between the western and eastern European systems and diversifying crude resources and security. Investors had considered this option some years ago, though energy security at that time was only an afterthought.

#### ELECTRICITY: FOCUS ON DEVELOPING NUCLEAR ENERGY

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16. (C) Slovakia generates more than 60 percent of its electrical power from its two nuclear nuclear facilities, Bohunice and Mochovce, in central Slovakia. Bohunice has four 440 MegaWatt reactors and Mochovce has two functioning 440 MW reactors and two that are about 40 percent complete. Under pressure from Austria, Slovakia committed under its EU accession agreement to decommission two of the four reactors at the Bohunice plant, one by the end of 2006 and another by the end of 2008. Slovakia will shift from a net exporter of electricity to a net importer with the shut-down of these reactors. Italian firm Enel is in the final stages of purchasing a 66 percent stake in the government electric company, Slovenske Elektrarne (SE), which controls the nuclear facilities. As a part of the negotiation Enel has conditionally committed to completing the two reactors at Mohovce.

17. (C) Miroslav Pikus, who was appointed CEO of SE six weeks ago, confirmed that Enel will build two new reactors at the Mochovce plant within five to seven years to make up the difference, and that SE, even in advance of the purchase by Enel, was pushing full-speed ahead with design and planning elements of the project. So, while Slovakia may have to import electricity from the Czech Republic or Poland in the interim, it does not expect to have a long-term electricity problem. (Note: During a December tour of the Bohunice facilities by the Ambassador, SE and nuclear regulatory officials voiced their concerns about Enel's commitment to complete the Mochovce reactors once the privatization was completed. End Note.) Pikus did note, however, that Slovakia still gets all of its nuclear fuel from Russia and that SE is investigating other sourcing options with the EU to ensure supply security, including a potential partnership with Westinghouse.

#### RENEWABLE SOURCES

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18. (SBU) According to MOE figures, renewable energy sources,

almost exclusively hydroelectric generators, currently generate 16 percent of Slovakia's electricity and should provide up to 19 percent by 2010, 24 percent by 2020, and 27 percent by 2030. According to Pikus, however, SE does not believe that solar, wind, or biomass will be cost-effective in Slovakia and that only some small hydro-electric plants (with about a 120 Megawatt capacity) can generate sufficient profits for the company without significant state support.

¶9. (C) Renewable fuel sources, however, are being pursued in Slovakia. Robert Spisak, CEO of Enviral, explained at the lunch that his company is constructing ethanol plants in Slovakia and that ethanol could soon become cost-competitive, both because of technological advances and the rising price of oil. Spisak admitted, however, that for now ethanol is only feasible because of tax incentives and EU mandates. (Note: Enviral is interested in purchasing genetically modified (GMO) maize for its plants and has lobbied with American seed companies Monsanto and Pioneer to allow GMO production in Slovakia. End Note) Keleman disagreed, however, and indicated that according to Slovnaft's research, bio-diesel fuel is far more likely than Ethanol to succeed as an alternative to gasoline in the EU marketplace.

COMMENT  
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¶10. (C) Energy security in Slovakia is focused more on investments in nuclear facilities than diversification of fossil fuels and Slovak energy officials are still bitter at being pressured to close down the two reactors at Bohunice. The experts at the lunch saw few practical solutions to the energy dependance on Russia given the numerous financial and political pitfalls obstacles involved with the alternatives. As a result, the best solution for Slovakia and the rest of Europe is to fully develop existing assets (i.e., the reactors at Mochovce) and improve energy conservation. According to Pikus, minimal conservation efforts could easily reduce usage by 5 to 10 percent.  
VALLEE